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FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1366
INFO RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY
RUEHTH/AMEMBASSY ATHENS PRIORITY 0168
RUEHNC/AMEMBASSY NICOSIA PRIORITY 6759
RUCNDT/USMISSION USUN NEW YORK PRIORITY 4170
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L ANKARA 001718

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E.O. 12958: DECL: 12/03/2019
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SUBJECT: TURKISH MFA SEES CYPRUS TALKS AS GLASS HALF FULL

REF: ANKARA 1644

Classified By: POL Counselor Daniel O'Grady, for reasons: 1.4 (b,d)

11. (C) SUMMARY. The MFA's Deputy Director General for Cyprus told us December 2 that Ankara is still waiting for a reply from Athens to PM Erdogan's proposal for quadrilateral talks on a Cyprus settlement, but that Turkey is newly optimistic about the prospects for a solution after the November 18 hearing in the European Court of Human Rights. That hearing focused on the "TRNC" mechanism for resolving Greek Cypriot property claims, and the MFA believes the court showed it leans toward the Turkish Cypriot argument that the mechanism is both fair and adequate. A ruling is expected in March. The MFA views property as the key element in the negotiations, and is working out financing mechanisms for compensation, but notes that Greek Cypriots must be "realistic" about the current market value of their properties in the north. The MFA believes the two sides are sufficiently close on issues such as governance and power-sharing. END SUMMARY.

12. (C) In a December 2 meeting, MFA Deputy Director General for Cyprus and Greece Kerim Uras said Ankara's attitude toward the Cyprus negotiations received a substantial boost from the April 18 hearings at the European Court of Human Rights, given what they perceive as the Court's apparent sympathy for the "TRNC" mechanism to deal with Greek Cypriot property claims. Uras said he views property as the key element of the Cyprus talks. If the court ruling, expected in March, favors the Turkish Cypriot side it would contribute significantly to a successful outcome of the negotiations, Uras contended. He added that a contrary ruling would have dire consequences not only on the talks but also on Turkey's orientation toward Europe.

Financing for Compensation Claims

13. (C) Uras said the MFA is working on a plan to provide financing via Turkish banks for Greek Cypriots whose property claims are settled by compensation. He said Ankara envisions that roughly one third of the claims would be resolved through compensation, one third by exchanges, and one third by returnees. The bank financing would allow Greek Cypriots who agree on compensation to be paid immediately, if they so choose, but would also enable them to wait until the market value of the property rises as expected several years after the island is reunited. Uras said the key at this point is for Greek Cypriots to be "realistic" about the current market value of their properties, which lag at about 30 percent of property values in southern Cyprus.

14. (C) With property issues resolved, Uras said he believes

the two sides are well within compromise range on issues such as power-sharing and governance. The current disconnect on direct versus indirect election of the president and vice president can be bridged fairly easily. He conceded, however, that the National Unity Party's (UBP) view on this issue differs markedly from "TRNC President" Talat's, and said this division had been on display during the December 1 visit to Ankara by Talat and the "TRNC Foreign Minister." Uras said Talat feels his position is being constantly undermined by UBP "Prime Minister" Eroglu, and that this was the main reason behind his recent trip to Ankara: to complain to PM Erdogan. Talat and Erdogan had a lengthy one-on-one meeting; Uras did not know the result. Uras denied that Talat returned to Cyprus with a dramatic "new proposal," as media reports had trumpeted.

¶6. (C) On the duration of the talks, Uras said Ankara still holds the view that the negotiations should conclude by early March, given the April "TRNC Presidential" elections. But he added that even in the "worst case scenario" of an Eroglu victory, Ankara would not abandon the talks but would instead insist that they continue under a mechanism that allowed for Eroglu's lack of English, perhaps through an appointed representative. He noted that the latest Turkish Cypriot polls show rising support for Talat, probably because voters have seen no discernible difference in the economy or public services from the UBP since it took over as the new ruling party.

"Bizonal, Bicomunal" Stance Restored

¶7. (C) Uras confirmed that FM Davutoglu had agreed to the EU Troika's request to issue a statement November 26 reiterating Turkey's support for a "bizonal, bicomunal federation based on political equality." The "bizonal, bicomunal" phrasing had been avoided during the tenure of previous MFA Undersecretary Apakan, Uras said, because Apakan had argued that the Turkish Cypriots should be seen as a "people," and not a "community," to ensure their sovereign rights. The current MFA regime has no such qualms. We pressed Uras to recommend that PM Erdogan make the same public statement. He had no objection.

¶8. (C) We also urged that PM Erdogan underscore in public his proposal for quadrilateral discussions contained in his recent letter to Greek PM Papandreou. (Note: The British have made a separate proposal for trilateral talks. End Note) We added that PM Erdogan should also reiterate Turkey's commitment to a massive troop withdrawal from Cyprus in the event of a solution, and its willingness to review and revise the Turkish guarantee after a settlement. Uras saw no problem with the first two suggestions, but said it would be premature to broach the guarantee now. That would have to wait until later in the negotiating process. On regional discussions, he said Ankara would prefer a quadrilateral approach, because it wants to have direct discussions with Greek Cypriot leader Christofias -- but without undercutting Talat.

¶9. (C) Uras acknowledged the optical value in such statements by PM Erdogan, but was dismissive of the potential threat of a harsh EU Progress Report or a Greek Cypriot block on Turkey's Environment Chapter. Ankara is convinced that a rollover of the Additional Ankara Protocol is well in hand, he said, and is also not worried about seeing its EU accession process grind to a halt on December 21 if the Environment Chapter is not opened. The EU process is already in trouble, he said, so there is no reason to be fearful. He used a well-known Turkish proverb: "The dead donkey does not fear the wolf."

¶10. (C) On a side note, Uras said the Greek Cypriots had applied much pressure on Syria to halt the Latakia-Famagusta ferry, but that the Syrians had refused, and the ferry continues to operate. In addition, the Haifa-Famagusta ferry will soon resume, despite GOC objections to the Israeli Government. Uras suggested that these "signals" to the Greek

Cypriots, in addition to the recent undercurrents at the EU Court of Human Rights, may have convinced the Greek Cypriots to be more conciliatory -- which in turn is giving Ankara renewed hope that a settlement may indeed be within reach.

JEFFREY

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